MISSOULA COUNTY

MISSOULA, MONTANA

FINANCIAL AND COMPLIANCE AUDIT REPORT

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

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MISSOULA COUNTY

MISSOULA, MONTANA

FINANCIAL AND COMPLIANCE AUDIT REPORT

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

AUDIT ORGANIZATION

McGLADREY HENDRICKSON & CO.

BILLINGS, MONTANA

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McGladrey Hendrickson & Co.
CERTIFIED PUBLIC ACCOUNTANTS

To the Legislative Audit Committee
Montana State Legislature
Helena, Montana

SUMMARY

We have examined the Schedules listed in the foregoing table of contents which summarize reported financial results and cash position of the subgrants awarded by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council to Missoula County, Missoula, Montana, as follows:

Grant Number	Prime Sponsor Subgrant Number	CETA Title	Contract Period	Audit Period
30-5-054-21	9202	II	10/01/78 - 03/31/79	10/01/78 - 03/31/79
30-9-210-21 and 30-9-210-05	9208	II-D	04/01/79 - 09/30/79	04/01/79 - 09/30/79
30-9-210-21 and 30-9-210-5	9214	II-D	03/15/79 - 09/30/79	03/15/79 - 09/30/79
30-5-066-60	9252	VI	10/01/78 - 09/30/79	10/01/78 - 09/31/79
30-5-066-60	9258	VI	10/01/78 - 09/30/79	10/01/78 - 09/30/79

The audit disclosed:

- CETA Closeout Final Expenditure Reports were not filed on the accrual basis as of the end of the grant period.
- The Subgrantee did not comply with various specific grant requirements.
- The Subgrantee did not claim allowable direct costs of administering its CETA programs.
- The Subgrantee claimed indirect administrative costs based on budgeted rather than actual expenditures.
- The Subgrantee placed participants in positions with inadequate opportunity for unsubsidized employment and with limited job skills training.
- The CETA Fiscal Clerk was not informed of participant terminations.
- The Subgrantee did not document approved extensions of CETA participants.

- The Subgrantee did not verify participants' application data.
- The Subgrantee did not request modification of budgets when expenditures exceeded budget line items by 15%.
- Information in contractors' reimbursement invoices was not reviewed by the Subgrantee.
- Contractors did not receive proper supervision or instruction from the Subgrantee.
- Inadequate segregation of duties in processing and accounting for cash receipts and cash disbursements, and in distribution of payroll warrants.
- Paid claims and invoices are not canceled to prevent duplicate payment.
- Systems for retaining and filing canceled warrants are inadequate.
- The CETA Fiscal Clerk and the Accounting Department maintain unnecessary duplicate records of CETA financial activity.
- Accounting records maintained by the CETA Fiscal Clerk, the Treasurer's Office and the Accounting Department are not reconciled on a timely basis.

Exhibits I through IV list $30,208 of questionable expenditures disclosed by the audit. The determination as to whether the costs will be allowable or unallowable under the subgrants will be made by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council. Exhibits I through IV were not prepared for purposes of statistical projection.

SCOPE OF AUDIT

This report covers our examination of the financial results of program operations of the Subgrantee for the subgrants and the periods referred to in the preceding Summary.

Our examination was made in accordance with instructions contained in the CETA Financial and Compliance Audit Guide and provisions of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions", promulgated by the Comptroller General, which pertain to financial and compliance audits.

Our examination included such tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

The aforementioned Schedules are required to be prepared in accordance with the Standards for Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) in conformity with the CETA Regulations; therefore, they are not intended to present either the financial results of operations or financial position in conformity with generally accepted accounting principles.

Statistical sampling is the preferred method of selecting a sample. Accordingly, in any area where the volume of transactions and record locations would permit, we have used statistical sampling for purposes of determining the audit sample size, selecting the sample items and evaluating the results for the periods examined. Our tests were designed on an attribute sampling basis, based on an expected rate of occurrence of 3% and a confidence level of 90%.

BACKGROUND

Our audit consisted of an examination of the financial and program records related to CETA programs operated by the Subgrantee.

The objectives of the audit were to determine whether the financial operations were properly conducted and documented, whether the Schedules were fairly presented and whether the Subgrantee complied with applicable laws and regulations. Our examination did not include a review of economy and efficiency or a review to determine whether desired results or benefits were achieved.

The audit was made by arrangement with the Prime Sponsor, State of Montana, Department of Labor and Industry, Governor's Employment and Training Council, to provide audits required by the United States Department of Labor and to provide the Prime Sponsor with information about the Subgrantee. The audit covered the period October 1, 1978 to September 30, 1979 for all subgrants ended during that period.

The Subgrantee examined in this audit was Missoula County. We reviewed the findings and recommendations of the prior audit of the Subgrantee for subgrants ending during the period October 1, 1977 to September 30, 1978. We found all recommendations had been fully implemented, partially implemented or not implemented due to disagreement with the finding. We specifically reviewed those items either partially or not implemented and to the extent they were still applicable, included the findings in our recommendations.

OPINION

Exhibits I through IV list $30,208 of questioned costs disclosed by our audit sampling of the subgrantee's subgrant records for the periods referred to in the preceding Summary. The determination as to whether such costs will be allowable or unallowable under the subgrant agreement will be made by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council.

In our opinion, subject to any effects of the ultimate resolution of questioned costs, the Schedules listed in the foregoing table of contents present fairly, for the dates and periods indicated on the Schedules, the financial results of operations and CETA cash position of the subgrants awarded to Missoula County in accordance with the Standards for Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) and in conformity with the CETA regulations; and Exhibits I through IV present fairly the costs questioned as a result of our audit.

FINDINGS AND RECOMMENDATIONS

FINANCIAL REPORTING

The Subgrantee filed CETA Closeout Final Expenditure Reports for each subgrant as of the closeout date. As a result, all costs incurred as of the subgrant year-end were reported as cash expenditures, whether or not they had been paid by the end of the subgrant period. This in turn led to an understatement of cash position on the closeout report. CETA regulations require that close-out reports be prepared on the accrual basis of accounting as of the end of the grant period.

Recommendation

The Subgrantee should report expenditures and cash position on the accrual basis as of the end of the grant period.

CONTRACT REQUIREMENTS

All subgrants required the Subgrantee to review contract activity for supplementation, to list job openings with the State Veterans Employment Representative and to institute a plan to ensure that at least 8% of the positions developed were in nontraditional jobs. In addition, the Subgrantee was required to notify the Prime Sponsor when a participant terminated CETA employment, and to complete a follow-up review of participants after termination.

None of these provisions were met.

Recommendation

The Subgrantee should analyze each subgrant for specific provisions and implement procedures to meet subgrant requirements.

ADMINISTRATIVE COSTS

1. The Subgrantee did not claim direct costs of administering CETA programs. Such costs are allowable in addition to indirect administrative costs. As a result, Missoula County is not receiving all available cost reimbursements.

   Recommendation

   The Subgrantee should develop and implement a cost allocation plan to charge the CETA program for allowable direct costs.

2. The Subgrantee claimed indirect administrative costs based on budgeted expenditures for wages and fringe benefits. This resulted in reporting incorrectly computed indirect costs.

   Recommendation

   The Subgrantee should use actual expenditures as the basis for computing and reporting indirect administrative costs.

PARTICIPANT PLACEMENT

The purposes of the CETA programs operated by the Subgrantee include providing on-job-training to participants and placing participants in unsubsidized positions with reasonable opportunity for advancement. Some contracting agencies do not have enough funds available to offer participants unsubsidized employment upon their CETA termination. Some agencies also fail to provide sufficient job skills training to participants. Contracting with these agencies is therefore inconsistent with the objective of the Subgrantee's CETA programs.

Recommendation

The Subgrantee should reassess placement objectives and emphasize CETA goals when accepting contract proposals.

PARTICIPANT STATUS

1. The CETA Fiscal Clerk was not notified promptly when participants employed by Missoula County changed from CETA funding to unsubsidized County employment. As a result, their wages and fringe benefits were improperly claimed as CETA costs. Regulations state that only current participants will be paid from CETA funds.

   Recommendation

   The CETA Fiscal Clerk should be advised immediately when County employees' CETA participation is terminated.

2. The Subgrantee verbally approved extensions of CETA participants' employment with contractors. A lack of written approval for extension fails to provide sufficient documentation of a participant's status.

   Recommendation

   The Subgrantee should document approval of extensions of participants' employment.

INTAKE VERIFICATION

Because the information on his application for employment was not verified, a Missoula County employee whose eligibility is in doubt was enrolled in CETA. His application indicated that he had voluntarily quit his previous full-time job which would make him ineligible to participate in the CETA program.

Recommendation

All CETA applications should be reviewed for consistency, and questionable information should be independently verified.

CONTRACT MODIFICATION

For subgrant No. 9258, the Subgrantee's expenditures for training were more than 15% greater than the amount budgeted. The Subgrantee failed to obtain an approved subgrant budget modification which is required when expenditures differ from budgeted amounts by more than 15%.

Recommendation

The Subgrantee should obtain an approved subgrant modification when expenditures differ from budgeted amounts by more than 15%.

REVIEW AND GUIDANCE OF CONTRACTORS

1. Information contained in contractors' applications for reimbursement was not reviewed. Contractors were reimbursed for costs in excess of budget and for payments to participants in excess of authorized rates.

   Recommendation

   The Subgrantee should review contractors' invoices for items that are inconsistent with CETA regulations or contract terms. Such items should be resolved by timely follow-up.

2. Contractors claimed, and were reimbursed for, costs that were not adequately documented, were improperly computed, or were unallowable under CETA regulations. In addition, contractors were inconsistent in preparation of reimbursement invoices and employee time and attendance and leave records. Also, many contractors did not file required reports to the State Unemployment Compensation Commission and Workers' Compensation Division. Closer supervision by the Subgrantee would eliminate many of these errors and inconsistencies.

Recommendations

(1) The Subgrantee should make contractors aware of CETA regulations concerning proper documentation and allowability of CETA costs.

(2) The Subgrantee should specify procedures for completion of reimbursement applications, time and attendance and leave records, and governmental reports.

REVIEW OF INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

As part of our examination, we made a study of the systems of internal accounting and administrative control to the extent we considered necessary to evaluate the systems as required by the CETA Audit Guide.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and administrative control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the systems of internal accounting and administrative control for the periods referred to in the preceding Summary would not necessarily disclose all weaknesses in the system; however, in our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed by Federal Regulations and the Department of Labor CETA guidelines which have been determined to be adequate for accountability of assets and compliance with regulations except as follows:

SEGREGATION OF DUTIES

1. Treasury personnel who receive cash also prepare deposits, deposit cash to the bank, and reconcile the bank accounts. This is an improper segregation of duties.

   Recommendation

   To insure proper internal control over cash receipts, each of the above procedures should be performed by a different employee.

2. Accounting personnel who prepare warrants are also involved in record keeping for cash. In addition, signed warrants are returned to these employees to distribute. For proper control over disbursements, custody of cash should be separate from access to the accounting records.

   Recommendation

   (1) The functions of warrant preparation and accounting for cash should be performed by different employees.

   (2) Warrants should not be returned to the preparer after signature.

3. The County Auditor's Office gives payroll warrants to department heads to distribute to their employees. Since department heads also collect and approve time and attendance records, proper separation of duties is not being maintained. This also negates the positive effect of involving the Auditor's Office in payroll distribution.

   Recommendation

   Payroll warrants should, at random intervals, be distributed directly to employees by the County Auditor. Unclaimed warrants should be retained until claimed by employees.

CANCELLATION OF CLAIMS

Claims and invoices are not cancelled upon payment by the County. This increases the risk of duplicate payment for the same claim.

Recommendation

To strengthen control over disbursements, claims and invoices should be canceled when paid.

WARRANT LOCATION

The Accounting Department was unable to locate a number of cancelled warrants. As such warrants are the ultimate evidence of payment of any claim, it is essential that they be retained and systematically filed.

Recommendation

The Accounting Department should improve its record retention and filing systems for cancelled warrants.

RECORD DUPLICATION

The CETA Fiscal Clerk and the Accounting Department each maintain records of CETA financial activities. This has been necessary because the accounting system does not permit summarization of CETA costs or receipts on a timely basis. As a result, the CETA Fiscal Clerk must review warrant and receipts listings and identify those items which are CETA related. This process is time consuming and error prone.

Recommendation

To eliminate this duplication of effort, and to improve the accuracy and timeliness of CETA recordkeeping and reporting:

(1) The Accounting Department should improve its system so that costs and receipts are recorded separately for each subgrant, by subgrant budget categories.

(2) Output should be modified so that a monthly detail of costs and receipts by subgrant is available.

RECORD RECONCILIATION

Records maintained by the CETA Fiscal Clerk, the County Treasurer's Office, and the Accounting Department have not been in agreement for a long period of time and are not being reconciled on a timely basis, as required for proper control.

Recommendation

Monthly reconciliations of CETA, Treasury, and Accounting records for receipts, expenditures and cash balances should be performed. This procedure would be simplified by the implementation of the Accounting Department systems modifications recommended above.

EXIT CONFERENCE

An exit conference was held at Helena, Montana on August 4, 1980. Those in attendance were:

Subgrantee:
Duane Jones, Coordinator
Gail Woolridge, Monitor
Nedra Joseph, Fiscal Clerk

Prime Sponsor:
Bill Haberman, P.S.E. Program Manager
Florine Smith, Fiscal Bureau Chief
Cheryl Leppink, Fiscal Manager

Auditors:
Richard Burris, Manager
William Erickson, Staff
Norm Kolpin, Staff

Audit findings and recommendations were discussed. General agreement was reached as to the audit findings.

This report is intended for use in connection with the administration of CETA grants to which it refers and should not be used for any other purposes.

McGladrey Hendrickson & Co.

Billings, Montana

March 10, 1980

MISSOULA COUNTY

SUMMARY STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

	TITLE						TOTAL	
	II		II O		VI			
COST CATEGORY	Budget	Accrued Expenditures	Budget	Accrued Expenditures	Budget	Accrued Expenditures	Budget	Accrued Expenditures
Administration	$ 33,230	$ 31,921	$ 42,264	$ 42,264	$ 71,008	$ 71,008	$ 146,502	$ 145,193
Wages	478,520	170,533	301,929	259,116	743,217	745,314	1,523,666	1,174,963
Fringe benefits	66,461	26,462	47,643	37,420	106,542	92,452	220,646	156,334
Training	66,461	-	51,455	22,923	35,688	43,277	153,604	66,200
Services	19,938	-	7,718	963	5,817	3,053	33,473	4,016
Totals	$ 664,610	$ 228,916	$ 451,009	$ 362,686	$ 962,272	$ 955,104	$ 2,077,891	$ 1,546,706

See Notes to Schedules and Exhibits.

Schedule I1

MISSOULA COUNTY

SUMMARY STATEMENT OF ACCRUED EXPENDITURES BY PROGRAM ACTIVITY

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

	TITLE						TOTAL	
	II		II D		VI			
PROGRAM ACTIVITY	Budget	Accrued Expenditures	Budget	Accrued Expenditures	Budget	Accrued Expenditures	Budget	Accrued Expenditures
PSE - Wages	$ 478,520	$ 170,533	$ 301,929	$ 259,116	$ 743,217	$ 745,314	$ 1,523,666	$ 1,174,963
Fringe benefits	66,461	26,462	47,643	37,420	106,542	92,452	220,646	156,334
Other	119,629	31,921	101,437	66,150	112,513	117,338	333,579	215,409
Totals	$ 664,610	$ 228,916	$ 451,009	$ 362,686	$ 962,272	$ 955,104	$ 2,077,891	$ 1,546,706

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9202, Title II

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO MARCH 31, 1979

CASH ON HAND, October 1, 1978	$ -
INCREASES-	
Federal cash received	220,469
DECREASES-	
Gross disbursements	192,313
CASH ON HAND, March 31, 1979	$ 28,156

See Notes to Schedules and Exhibits.

Schedule B-1

MISSOULA COUNTY

CETA SUBGRANT NO. 9202, TITLE II

PUBLIC SERVICE EMPLOYMENT

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO MARCH 31, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 33,230	$ 31,921
Wages	478,520	170,533
Fringe benefits	66,461	26,462
Training	66,461	-
Services	19,938	-
Totals	$ 664,610	$ 228,916

See Notes to Schedules and Exhibits.

Exhibit I

MISSOULA COUNTY

CETA SUBGRANT NO. 9202, TITLE II

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO MARCH 31, 1979

COST CATEGORY	Total Amount Questioned	Supporting Exhibit
Administration	$ 6,589	I-A
Wages	595	I-A
Fringe benefits	183	I-A
Total	$ 7,367	

See Notes to Schedules and Exhibits.

Exhibit I-A

MISSOULA COUNTY

CETA SUBGRANT NO. 9202, TITLE II

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO MARCH 31, 1979

1. $6,488 in administration costs are questioned because the Subgrantee claimed indirect administrative costs based on budgeted amounts. Reported costs should have been computed on the basis of actual expenditures for wages and fringe benefits of $196,995.

2. Wages of $368, fringe benefits of $77, and related administration of $58 were questioned under a contract as the contractor was reimbursed for CETA employees' pay raises which were not authorized by the CETA contract, as follows:

Department	Period	Position	Rate Paid	Rate Authorized
Finance	1/79 - 3/79	1 Clerk/Typist	$ 3.85	$ 3.76
Police	1/79 - 3/79	1 Records Clerk	3.71	3.62
	1/79	1 Dispatcher	4.72	4.71
	2/79 - 3/79	2 Dispatchers	4.72	4.71
Library	1/79 - 3/79	6 Library Clerks	3.71	3.62

Amounts were based on the actual number of reported hours.

3. Wages of $227, fringe benefits of $24, and related administration of $32 were questioned under a contract. All CETA participants missed work purposely on January 8, 1979 due to an internal protest, yet the contractor reported this time as sick leave and was reimbursed the above amounts. This was an invalid use of sick leave by CETA participants.

4. In March, 1979, a contractor reported a cost for health insurance of $82 for a CETA participant working as a library clerk. The contractor reported this cost in error. The reimbursement of $82 and related administration of $11 are therefore questioned.

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9208, Title II D

STATUS OF FEDERAL CASH

FROM APRIL 1, 1979 TO SEPTEMBER 30, 1979

CASH ON HAND, April 1, 1979	$ -
INCREASES-	
Federal cash received	278,800
DECREASES-	
Gross disbursements	290,786
CASH (DEFICIT), September 30, 1979 (Note 2)	$ (11,986)

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9208, TITLE II D

PUBLIC SERVICE EMPLOYMENT

STATEMENT OF ACCRUED EXPENDITURES

FROM APRIL 1, 1979 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 35,004	$ 35,004
Wages	233,201	208,526
Fringe benefits	37,963	31,313
Training	41,775	20,671
Services	6,266	514
Totals	$ 354,209	$ 296,028

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9208, TITLE II D

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM APRIL 1, 1979 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Amount Questioned	Supporting Exhibit
Administration	$ 4,432	II-A
Wages	2,070	II-A
Fringe benefits	962	II-A
Training	66	II-A
Services	202	II-A
Total	$ 7,732	

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9208, TITLE II D

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM APRIL 1, 1979 TO SEPTEMBER 30, 1979

1. $4,041 in administration costs are in question because the Subgrantee claimed indirect administrative costs based on budgeted amounts. Reported costs should have been computed on the basis of actual expenditures for wages and fringe benefits of $239,839.

2. Wages of $1,214, fringe benefits of $254, and related administration of $189 were questioned under a contract as the contractor was reimbursed for CETA employees' pay raises which were not authorized by the CETA contract, as follows:

Department	Period	Position	Rate Paid	Rate Authorized
Finance	4/79	1 Clerk/Typist	$ 3.85	$ 3.76
Police	4/79 - 6/79	1 Records Clerk	3.71	3.62
	7/79 - 9/79	1 Records Clerk	4.00	3.62
	4/79 - 9/79	2 Desk Aides	4.72	4.71
Library	4/79 - 6/79	6 Library Clerks	3.71	3.62
	7/79 - 8/79	4 Library Clerks	4.00	3.62
	9/79	3 Library Clerks	4.00	3.62

Amounts were based on the actual number of reported hours.

3. Wages of $776, fringe benefits of $57, and related administration of $108 were questioned under a contract, as the contractor was reimbursed for CETA employees' pay raises which were not authorized by the CETA contract, as follows:

Position	Rate Paid	Rate Authorized
Career Counselor	$ 4.28	$ 4.04
Custodian	3.92	3.70
Bookkeeper/Secretary	3.71	3.50
Art Education Assistant	3.71	3.50

4. Wages of $80, fringe benefits of $8, and related administration of $11 were questioned under a contract, as the contractor paid a CETA participant for 104 hours in June 1979, but he worked only 48 hours and took accumulated sick leave of 38 hours. Therefore the reimbursement of 18 hours pay and fringe benefits has been questioned.

5. Fringe benefits of $643 and administration of $83 were questioned as a contractor reported this amount in FICA costs which was subsequently refunded to them by the Internal Revenue Service. CETA regulations allow payment only for actual costs, so the entire amount refunded has been questioned.

MISSOULA COUNTY

CETA SUBGRANT NO. 9208, TITLE II D

DETAILED SCHEDULE OF QUESTIONED COSTS (CONTINUED)

FROM APRIL 1, 1979 TO SEPTEMBER 30, 1979

6. Training of $66 has been questioned as the contractor claimed costs in this amount for training held in October, 1979. As this cost was incurred in fiscal year 1980, it should not have been reported or reimbursed in fiscal year 1979. The amount, paid by contractors check no. 297, dated 10/3/79, has been questioned.

7. Services of $202 have been questioned, as this amount was paid to an uncertified babysitter for babysitting services. CETA regulations require that such payments be made only to certified babysitters. Two payments are involved, one in July for $81, one in September for $121.

Schedule A-3

MISSOULA COUNTY

CETA SUBGRANT NO. 9214, Title II D

STATUS OF FEDERAL CASH

FROM MARCH 15, 1979 TO SEPTEMBER 30, 1979

CASH ON HAND, March 15, 1979	$ -
INCREASES-	
Federal cash received	95,000
DECREASES-	
Gross disbursements	62,939
CASH ON HAND, September 30, 1979	$ 32,061

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9214, TITLE II D

PUBLIC SERVICE EMPLOYMENT

STATEMENT OF ACCRUED EXPENDITURES

FROM MARCH 15, 1979 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 7,260	$ 7,260
Wages	68,728	50,590
Fringe benefits	9,680	6,107
Training	9,680	2,252
Services	1,452	449
Totals	$ 96,800	$ 66,658

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9252, Title VI

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

CASH ON HAND, October 1, 1978	$ -
INCREASES-	
Federal cash received	453,818
DECREASES-	
Gross disbursements	496,340
CASH (DEFICIT), September 30, 1979 (Note 2)	$ (42,522)

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9252, TITLE VI

PUBLIC SERVICE EMPLOYMENT

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 44,758	$ 44,758
Wages	462,967	462,967
Fringe benefits	65,942	65,942
Training	688	688
Services	567	567
Totals	$ 574,922	$ 574,922

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9252, TITLE VI

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Amount Questioned	Supporting Exhibit
Administration	$ 1,193	III-A
Wages	8,064	III-A
Fringe benefits	1,179	III-A
Total	$ 10,436	

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9252, TITLE VI

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

1. Wages of $4,242, fringe benefits of $670, and related administration of $634 have been questioned, as a contractor was found to be oversupplementing CETA participants' wages. Regulations prohibit supplementation in excess of 10% of CETA reimbursed wages.

   The supplementation was as follows:

Period	Position	Rate of Pay	Maximum Allowable Rate
7/79 - 9/79	Equipment Mechanic II	$ 5.524	$ 5.291

   Excessive supplementation indicates that the position involved should not be a CETA-funded position, so the questioned amount is the total of wages and related fringe benefits for two participants employed as Equipment Mechanics II for the period noted above.

2. Wages of $22, benefits of $3, and related administration of $3 have been questioned under a contract. A participant employed as a Warehouse Worker II, was paid termination pay at a rate of $5.079 per hour, and the contractor was reimbursed at the same rate. CETA regulations limit the rate of reimbursable pay to $4.81 per hour. The questionable amount is the excess reimbursement to the contractor over that allowable under CETA regulations.

3. Wages of $2,626, fringe benefits of $324, and related administration of $381 paid to Missoula County, have been questioned. These amounts were reimbursed after the participants involved had terminated their CETA employment. Regulations state that costs be reimbursed only for CETA participants. Therefore, all wages and fringe benefits paid after these participants' CETA terminations have been questioned, as follows:

Termination Date	Wages	Fringe Benefits
5/16/79	$ 2,004	$ 247
2/17/79	370	46
6/18/79	252	31
	$ 2,626	$ 324

4. Wages of $766, fringe benefits of $157, and related administration of $119 also paid to Missoula County, have been questioned because the CETA eligibility of a participant is in doubt.

MISSOULA COUNTY

CETA SUBGRANT NO. 9252, TITLE VI

DETAILED SCHEDULE OF QUESTIONED COSTS (CONTINUED)

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

His application for employment indicates that he voluntarily terminated his last previous full-time position, and would therefore not be eligible based on CETA regulations. The entire amount paid for his wages and fringe benefits has been questioned.

5. Wages of $319, fringe benefits of $20, and related administration of $44 have been questioned as the contractor could not locate time and attendance records necessary to document these costs. CETA regulations require that all payments be adequately supported. The questioned amount was paid for 104 hours during the period 5/7/79 - 5/25/79.

6. Wages of $73, fringe benefits of $4, and related administration of $10 were questioned as a contractor reported excess costs in these amounts. The participant involved had taken 22 hours off in June 1979 as leave without pay, yet the contractor was reimbursed for these hours.

7. Wages of $16, fringe benefits of $1 and related administration of $2 were questioned as the contractor overpaid a participant, employed as a bookkeeper, upon termination because accumulated sick and vacation leave records were inaccurate.

   The questioned amount was based on 4 hours sick leave and 1 hour vacation overpaid at the employee's regular rate of pay.

MISSOULA COUNTY

CETA SUBGRANT NO. 9258, Title VI

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

CASH ON HAND, October 1, 1978	$ -
INCREASES-	
Federal cash received	352,374
DECREASES-	
Gross disbursements	320,032
CASH ON HAND, September 30, 1979	$ 32,342

See Notes to Schedules and Exhibits.

Schedule B-5

MISSOULA COUNTY

CETA SUBGRANT NO. 9258, TITLE VI

PUBLIC SERVICE EMPLOYMENT

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 26,250	$ 26,250
Wages	280,250	282,347
Fringe benefits	40,600	26,510
Training	35,000	42,589
Services	5,250	2,486
Totals	$ 387,350	$ 380,182

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9258, TITLE VI

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Amount Questioned	Supporting Exhibit
Administration	$ 326	IV-A
Wages	2,501	IV-A
Fringe benefits	24	IV-A
Training	1,822	IV-A
Total	$ 4,673	

See Notes to Schedules and Exhibits.

MISSOULA COUNTY

CETA SUBGRANT NO. 9258, TITLE VI

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

1. Wages of $2,501, fringe benefits of $24, and related administration of $326 have been questioned under a contract as the contractor was found to be oversupplementing CETA participants' wages. Regulations prohibit supplementation in excess of 10% of CETA reimbursed wages. The participant was employed as an Activities Coordinator, and was paid $5.77 per hour for the period 7/79 - 9/79. The maximum allowable rate is $5.29 per hour.

   Excessive supplementation indicates that the position involved should not be a CETA funded position, so the questioned amount is the total of wages and fringe benefits for the participant during the period noted above.

2. Training costs of $1,133 have been questioned as the contractor spent $1,213 for training, while the contract provided a budget of only $80. No contract modification was approved for the excess.

3. Training costs of $689 claimed by a contractor have been questioned. Total training expenditures for the contractor were $789, while the contract budget was $100. No contract modification was approved for the excess. In addition, $607 of the expenditures were for costs incurred in October, 1979 and should not have been reported as fiscal year 1979 costs.

NOTES TO SCHEDULES AND EXHIBITS

1. SIGNIFICANT ACCOUNTING POLICIES AND PROGRAM INCOME:

The Schedules have been prepared in accordance with instructions contained in Standards For Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) and in conformity with CETA Regulations. In accordance with these instructions, federal funds received are recognized when cash is received. Expenditures are recognized when incurred. This basis of accounting is not in accordance with generally accepted accounting principles.

No program income was received by any of the subgrant programs during the period covered by these Schedules.

2. CASH DEFICITS:

Subgrants 9208 and 9252 had cash deficits as of September 30, 1979. These deficits resulted from insufficient cash drawings near the end of the subgrant period, and were being covered temporarily by cash in the Subgrantee's other programs.

3. ADMINISTRATIVE COST POOL:

On April 1, 1979, the Prime Sponsor entered into an Administrative Cost Pool grant with the U.S. Department of Labor. Administrative costs subsequently incurred by subgrantees were funded from the Administrative Cost Pool. The Prime Sponsor did not require subgrantees to separately report administrative costs funded from the Administrative Cost Pool. Administrative costs funded from the Administrative Cost Pool for Title II D were $42,264.

APPENDIX

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT AND TRAINING DIVISION

THOMAS L. JUDGE, GOVERNOR

STATE CAPITO

STATE OF MONTANA

(406) 449-5600

HELENA MONTANA 5960

September 22, 1980

Matt Himsl, Chairperson
Legislative Audit Committee
Montana State Legislature
Office of Legislative Auditor
State Capitol
Helena, MT 59601

Dear Mr. Himsl:

Enclosed is the draft Audit Report which we have accepted for Missoula County for CETA Fiscal Year 1979 Subgrants:

9202 - Title II, Public Service Employment
9208 - Title IID, Public Service Employment
9214 - Title IID, Public Service Employment
9252 - Title VI, Public Service Employment
9258 - Title VI, Public Service Employment

This audit was conducted by McGladrey, Hendrickson & Co., CPA's, under contract with the Employment and Training Division, Department of Labor and Industry. The comments and recommendations contained in this report represent the views of the auditing firm.

Upon your review of this audit report, we will begin a 120 day resolution process with the subgrantee as follows:

1. A copy of the final audit report will be sent to the subgrantee for a thirty (30) day comment period. All findings and recommendations are to be addressed by the subgrantee in their response.

2. The Employment and Training Division will issue a written initial determination which will include a notice giving the subgrantee the opportunity for informal resolution.

3. The subgrantee must request an opportunity for informal resolution within ten (10) days in writing. Following the meeting of all appropriate parties, the Employment and Training Division will notify the subgrantee in writing of the nature of the resolution, if all matters have been informally resolved.

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4. The Employment and Training Division will issue a final determination no later than 120 days after the audit report has become final. The final determination will include those matters which were not informally resolved, corrective actions which will be necessary, and inform the subgrantee of the opportunity to request a hearing. Within thirty (30) days of the receipt of the final determination, the subgrantee must submit in writing a request for hearing to the Employment and Training Division.

The Employment and Training Division will attempt to recover all funds which were not expended in accordance with CETA law and regulations. We will also follow-up on any corrective actions necessary for the subgrantee.

Sincerely,

T. GARY CURTIS
Administrator

Enclosure

FB2/A